

SECTION VI

ECONOMIC INTELLIGENCE

What is Economic Intelligence

Economic intelligence is intelligence relating to the basic productive resources of an area or political unit, to the goals and objectives which those in control of the resources wish them to serve and the ways in which and the effectiveness with which these resources are in fact allocated in the service of these various goals. The field of economic intelligence is broad and ramified, and there are a number of points relating to the nature and limits of economic intelligence which call for clarification.

In the first place, economic intelligence is more than a mere catalogue or inventory of available resources and other economic phenomena. It is more than a mere tabulation of various kinds of economic statistics, more than the accumulation of files relating to plant characteristics, foreign trade data, or production of various industrial commodities. To be sure, such inventories are necessary but in a real sense are the beginning rather than the end of economic intelligence. For instance, while it is all very well to be able to say that steel production in the Sino-Soviet Bloc is only slightly more than one-fifth that of the West, the fact remains that armaments production in the Bloc is fully equal to that of the West. The problem is not merely what they have but what they are doing with it, how they are allocating their resources among alternative uses.

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interconnections among its various parts. Production in a given field depends in turn on production not merely of one but of several related products. Overall progress of the economy depends on the maintenance of some sort of balance in the development of the several fields of economic activity. In the economies of the Soviet-Bloc countries, which these days constitute our highest priority economic intelligence targets, the problem of analysis of these inter-sectoral relationships is simplified by the existence in each country of a master economic plan to which all things are directly or indirectly related. But with or without a master plan the fundamental fact of interconnectedness among the several sectors of a modern economy, where so to speak everything depends on everything else, necessitates the employment of broad, aggregative analyses. Studies of the national accounts, investment plans, and national annual budgets all have their place in economic intelligence, along with more detailed industry and factory analyses.

The Purposes of Economic Intelligence

Economic intelligence serves three related purposes in the design of policies to preserve our national security. These purposes include the following:

- (1) To estimate the magnitude of possible present or future military or other threats to ourselves and our allies. A potential enemy can undertake and carry out successfully only those operations--military or otherwise--which its economy is capable of mounting and sustaining. In the very short run, national strength

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stocks of finished weapons of war and military supplies which are available. Increasingly in modern times, however, it has come to be recognized that military potential for anything but the briefest campaign depends in fact upon the total economic resources of a nation, including those necessary to maintain the civilian economy as well as those necessary to produce and operate the instruments of war. An objective appraisal of the nature and magnitude of present and possible threats to our interests--either military or otherwise--is necessary if our policy planners are to appreciate realistically the magnitude of the necessary defense effort which must be mounted in order to preserve our freedoms or to defend our interests.

(2) To assist in estimating, within the range of the possible, the intentions of any potential enemy. This is a difficult and tricky business, despite the deceptive simplicity of the concept. The economic resources of a potential enemy and their present disposition offer him the selection of a range of possible or probable courses of action. For example, efforts to achieve a state of military preparedness do not necessarily foretell the advent of military aggression. Military preparedness makes aggression possible, yes; but inevitable, no. While it is possible to establish the outside limits of the range of possibilities, and even to develop estimates of probabilities based on the existence of key indications, it would be foolhardy, indeed, to assume that analysis of economic indications of intentions of governments has reached a level at all

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close to an exact science.

(3) To assist in estimating the probable development of the relative strengths of the Soviet-Bloc and the Western allies over the next few years. These comparative estimates are needed by U. S. policymakers for guidance in the development of political policies which will offer the best chance of achieving our objectives without hostilities. Questions of relative economic strength are obviously basic to the development of such policy. There are equally grave dangers, for example, in a serious underestimate as well as in a serious overestimate of future economic strength since either may produce policies more likely to bring on war than would a more accurate estimate.

Sources of Economic Intelligence

Economic intelligence can be useful in serving its several purposes only to the extent that the information is both timely and reliable. This fundamental fact highlights the importance of collection of intelligence, making collection no less important to intelligence production than is the analysis process.

The number one priority area for U. S. intelligence today is the Soviet Union and its communist allies. These countries share a highly developed sense of security consciousness, with the result that information of all kinds, including economic, is sharply curtailed.

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the Soviet authorities have created wide gaps in our knowledge. Information about certain fields of activity such as armaments is very tightly controlled, including even information about industries only indirectly related to armaments. One of these, for example, is the extraction and manufacture of non-ferrous metals.

The selective nature of published information received about the Soviet Bloc has placed a high premium on the

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different ways and with varying effectiveness depending both on opportunity and on the nature of the economic intelligence problem to be solved. But there is no question that principal reliance in economic intelligence on the Bloc has been and probably will continue to be

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